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C O N F I D E N T I A L SECTION 01 OF 02 ABIDJAN 001346

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TAGS: [ECON](#) [EFIN](#) [IMF](#) [IV](#) [PGOV](#) [PREF](#)

SUBJECT: COTE D'IVOIRE: FINANCE MINISTRY OFFICIALS SIGNAL
THAT THE GOVERNMENT WILL NOT PAY WORLD BANK ARREARS

REF: A. A) ABIDJAN 1099

[1](#)B. B) MASSINGA-DESK UNCLASS EMAILS

Classified By: EconChief EMassinga, Reasons 1.4 (b, d)

[1](#)1. (C) Summary. Finance Ministry officials are telling us that Cote d'Ivoire does not intend to pay the balance of the arrears Cote d'Ivoire owes the World Bank. Bank staff tell us the Bank would be willing to accept partial repayment, but will not resume normal assistance until it receives the full amount. However, Ministry officials pretend not to be aware of this, and tell us that instead, the government expects the Bank to either forgive or reschedule the rest of the arrears.

Bank staff believe the problem lies with senior Ministry officials still loyal to the former Minister, a Gbagbo crony who insisted that the World Bank and the IMF must give Cote d'Ivoire the money up front to pay off the arrears. Prime Minister Banny himself recently told the International Working Group (IWG) that he is confident he can cut the "Gordian knot" of the arrears problem. This may be one more issue on which the Gbagbo camp is working to thwart the Prime Minister. End Summary.

[1](#)1. (C) Econ Chief met with Ministry of Finance Cabinet Director Koffi Ahoutou on November 30 to discuss ongoing negotiations with shareholders of Cora de Comstar (ref B) at the request of Ahoutou. At the meeting, Econ Chief raised the issue of Cote d'Ivoire's arrears to the World Bank.

[1](#)2. (C) Ahoutou said that Cote d'Ivoire is unable to pay the arrears beyond the approximately \$160m it raised in its May-June 2006 borrowing (vice the \$225m mentioned in reftel A). The total arrears owned on Cote d'Ivoire's debt to the World Bank is rapidly approaching \$400m, a total that Ahoutou said the Ministry of Finance has no plans at this point to pay. In response to a query concerning how the government will address this question, Ahoutou said that it will ask the World Bank to either accept the money raised and waive the rest, or find some mechanism to reschedule the debt. Ahoutou asked if the United States would be willing to support Cote d'Ivoire's request to the WB in this regard, noting that Cote d'Ivoire is now in a negative cash position vis a vis the IFIs. Econ Chief said he doubted that Washington would look favorably upon such a request.

[1](#)3. (C) When Econ Chief asked Ahoutou directly why the Ministry hasn't paid the WB what it had raised in the mid-2006 borrowing, the Ministry official said the Bank refused to accept partial payment. When Econ Chief asked if perhaps the Bank had communicated to the Ivorian government a change in its position on that score (ref A), Ahoutou said it had not, according to his information (Note: this contradicts what Bank staff told Econ Chief in September. End Note).

¶4. (C) Ahoutou explained the government refusal to pay the arrears by saying its fiscal position is so dire that it has no capability to use cash on hand, future receipts or additional borrowing to close the gap. Pointing to a French corporate creditor waiting in his lobby, Ahoutou said the government cannot pay the \$60m owed to the company hurriedly contracted by the Prime Minister's Office in September to clean up the toxic wastes dumped at sites throughout Abidjan (the creditor told Econ Chief after the latter's meeting with Ahoutou that he has been in Abidjan fruitlessly pursuing payment for two months).

¶5. (C) In a December 1 meeting with World Bank officials on the margins of the IWG meeting (septel), local WB officials told Pol/Econ Chief that they believed that the unwillingness to pay the arrears lies with some senior officials in the Ministry who remain loyal to the former minister, Bouabre Bouhoun, a Gbagbo crony who steadfastly insisted that the World Bank and the IMF must give Cote d'Ivoire the money up front to pay off the arrears, and who refused even to discuss Cote d'Ivoire paying them off itself. At the same IWG, Prime Minister Banny, who is also the Finance Minister, himself acknowledged that the arrears are a serious obstacle preventing Cote d'Ivoire from receiving the donor support it desperately needs to go forward with disarmament, reunification and elections. Banny said he was confident he could cut this "Gordian knot" because of his years of experience as a central banker.

¶6. (C) Comment. The arrears question exasperates World Bank staff, who are anxious to move forward with support for disarmament, although that process itself remains stalled along with the overall peace process. And as with the peace

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process, the arrears impasse poses a tough and growing challenge to the international community. This appears to be yet another issue on which the Gbagbo camp is seeking to thwart the Prime Minister. End Comment.
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